

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
OFFICE OF COMMUNITY DEVELOPMENT

**REQUIRED DOCUMENTS – COMPREHENSIVE
HOMEBUYER PURCHASE REHABILITATION (HPR)**

The following list of documents represents file documentation MSHDA expects all grantees to maintain in their local project files. The list of required documents is generally organized in chronological order and broken into key phases in the lifecycle of a specific project.

Several documents may be required in any given file but will not be applicable to every project; these documents are indicated by a parenthetical “if applicable” within the checklist below. For example, a SHPO review is unnecessary for homes less than 50 years old.

Additionally, documents listed in *italics* are currently not “required” but are recommended by MSHDA and often represent best practices in local programs. While we feel these documents are important enough to specifically list within this checklist, they are not fundamentally required. In most cases, commentary has been provided explaining why and under what circumstances such documents may prove useful.

Finally, underlined documents are generated through MSHDA’s online grant management system known as OPAL (formerly known as Intelligrants).

Step 1: Applicant Eligibility. In HPR, the first step is to identify the buyers/participants in the program and confirm their eligibility. Please note: Income eligibility is not the same thing as program eligibility; not everyone who is income eligible is qualified to participate in the program. At the end of this stage, a HPR buyer should have an understanding of how the program works and begin looking for a home that costs no more than about \$5,000 to \$7,000 more than the mortgage they can afford.

1. Application
2. Income Verification package, to include:
 - a. Income Computation Worksheet
 - b. Third Party Verification Monitoring
 - c. Family Composition
 - d. Authorization for Release of Information and Privacy Act Notice
 - e. Declaration of Section 214 Status
 - f. Checklist(s) of income and assets
 - g. Verifications of income, assets, assistance, etc.
3. *Federal and State Tax returns: Most lenders will require tax returns as part of their application package. Helping the applicant get those together early in the process can speed things along later. Those not filing tax returns should complete an Affidavit certifying that they are/were not legally required to do so.*

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4. *Credit report: Pulling a credit report as a part of the initial intake/application process can quickly identify prospective buyers who are not ready to purchase a home or are not yet eligible to participate in a MSHDA Homebuyer project. Additionally, having the credit report in advance allows grantees to better direct clients to appropriate and competitive mortgage loan products and lenders.*
5. Buyer's pre-qualification for first mortgage lending: It's critically important that program participants not be sent out looking for a home before you're sure they qualify for a first mortgage loan that meets program requirements.
6. Good Faith Estimate of Buyer's Closing Costs
7. Pre-Evaluation Disclosure of Lead Based Paint (reference PB #26)
8. *Applicant receipt of Fair Housing: It's Your Right pamphlet*
9. *Eligibility Summary Worksheet and Analysis of Payment Ability: Many program administrators use a summary sheet indicating the applicant's income, debts, amount of an affordable monthly payment, and the accompanying projection of mortgage affordability.*
10. *Documentation of First Time Homebuyer Status: Many programs prefer to track what percentage of homebuyers qualified as first-time homebuyers.*

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Step 2: Property Evaluation and Construction Determination. Once the buyer has identified a home, the grantee needs to complete a variety of inspections to evaluate the scope of necessary development activity and estimate project costs. Together this information allows an analysis of the specific project's feasibility.

1. Purchase agreement/option (the buyer's purchase agreement should provide adequate time for the grantee to inspect the home, order LBP risk assessments, determine the scope of work, and get bids)
2. Homebuyer Assistance Program Occupancy/Vacancy Certification
3. Notification to Seller of voluntary sale
4. Environmental Checklist
5. Historical clearance – SHPO (if applicable)
6. Flood Plain Map or documentation that area is not mapped
7. Noise Attenuation (if applicable)
8. Initial inspection report (minimum of HQS)
9. Assessor's Card (to verify age and value of property): The Assessor's record on the property provide official documentation of a home's building date for purposes of determining if Lead Based Paint compliance and SHPO reviews are necessary. Appraisals and/or real estate listings are not acceptable substitutes as they often rely exclusively on the seller's statement of a building date. Consulting the Assessed Value of the property can also help determine if the negotiated purchase price is reasonable and may point to errors/discrepancies in the seller's description of the property.
10. Work Specifications
11. Cost Estimate
12. Lead Risk Assessment (if applicable)
13. Lead Property Exemption Form (if applicable)
14. Revised Rehabilitation Specifications and Cost Estimate: Based upon the results of the LBP Risk Assessment, specifications and cost estimates may need to be revised prior to bidding.
15. Homebuyer approval of specifications
16. As-completed (or post-rehabilitation) Appraisal

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Step 3: Bidding and Contractor Selection. After determining a project's initial feasibility, a contractor can be identified, and actual costs of the project can be determined. While the buyer should not sign the rehab contract until the closing takes place, HPR requires that actual bids be received and the selection of a contractor have taken place PRIOR to closing.

1. Prepared bid package and list of contractors invited to bid
2. Copies of received bids
3. Bid comparison summary
4. Record of bid selection
5. Verification that selected contractor(s) is not on debarred list (<http://epls.arnet.gov>)
6. Notice to unsuccessful bidders
7. **Once all costs associated with the project are clearly known, the Setup Proforma can be submitted. The Setup Proforma should be submitted at least two weeks prior to the scheduled closing to allow adequate time for any needed MSHDA reviews.**

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Step 4: Closing and Lien Documents. Only after the scope of rehab and its specific cost based on a selected bid is known, you're ready to actually close on the sales transaction. At the closing, the scope and cost of rehab, source of funds, and as-completed value of the property should all be known.

1. Homebuyer Subsidy Mortgage
2. Homebuyer Subsidy Note
3. *Program Agreement: Many programs use a program agreement between the grantee and the homebuyer that clearly spells out the roles and responsibility of each party. The program agreement should emphasize the homebuyer's right and responsibility to approve all rehab work prior to payment.*
4. Settlement Statement and documentation of other leveraged funds
5. Copies of all closing documents including HB Subsidy Second Mortgage documents

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Step 5: Construction Management. At or after the closing, the buyer (who has now become the homeowner) should execute the rehab contract, and rehab begins.

1. Evidence of License, Insurance, and appropriate Lead Training/Certification for Winning Contractor(s)
2. Executed Contract between the Contractor and Homeowner, to include
 - a. Lead Work Contractor attachment (if applicable)
 - b. Equal Opportunity Clause (Executive Order 11246)
3. **The Contract Proforma should be submitted once the contract is signed (typically at the closing). The Contract Proforma should match to the Settlement Statement since buyer's closing costs, prepaids, cash investment, tax prorations, and the Homebuyer Subsidy are now final.**
4. Recorded Notice of Commencement
5. Notice to Proceed
6. Change order(s)
7. Copy of inspection reports (by local building official if permit required)
8. Interim Payment Requests/Authorizations and Inspection Requests (could be one, two, or three separate forms; could be invoiced by contractor or placed on standard form; requires signature by contractor, homeowner, and administrator prior to payment)
9. Sworn Statements (could be incorporated into payment request form from contractor)
10. Partial and Final Unconditional Lien Waivers
11. Lead clearance test results (if applicable)
12. Lead Based Paint Inspection/Compliance Certification Form (reference PB #26) (if applicable)
13. Final Inspection Report by Administrator
14. Final Approval by Homeowner: Owner's signoff that all rehabilitation items have been completed to their satisfaction (could be included in a form that functions as both Final Inspection Report by program and Final Approval by Homeowner)
15. Final Payment Request/Authorization (again, could be a combined or separate forms, but should clearly show signature of contractor, approval by homeowner, and approval by program staff)
16. Itemized summary listing of all project costs including acquisition, closing costs, construction costs, LBP testing costs, LBP remediation activities, and soft costs/developer fee
17. **As costs change due to change orders throughout the course of construction management, one or more Revised Proformas may be required to show the current project cost and allow full billing of MSHDA funds for the project. Once all appropriate funds have been drawn, a Final Proforma should be submitted.**

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Step 6: Project Closeout and Ongoing Monitoring.

1. *Client satisfaction survey: While there is no formal requirement for ongoing interaction between the grantee and the homebuyer, MSHDA recommends that grantees survey participants on their experience with the program.*
2. *Pre-warranty expiration follow-up for warranty repairs: It may be a good idea to follow-up six months before the warranty on workmanship and materials expires. While the contractor provides the warranty, buyers will often initially come to the grantee with problems, and it's best to be proactive about identifying problems before the warranty runs out.*

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REQUIRED DOCUMENT SUBMISSIONS
HOMEBUYER-PURCHASE-REHABILITATION (HPR)

INSTRUCTIONS: The following documents must be submitted to your Community Development Specialist at various stages of an HPR project. Grantees should be aware that the list of required document submissions is NOT a comprehensive list of required documents for your local project file. For input on the broader list of documentation you should maintain, please refer to the Comprehensive Required Documents list for HPR projects.

Additionally, please be aware that MSHDA may randomly select projects for file reviews and request that you submit copies of all documents in your project file for review. For cause, your CD Specialist may also require that you submit other documents during the course of a project to document compliance with MSHDA's requirements.

Underlined documents below are generated through the OPAL system. MSHDA eventually expects to incorporate this list into the Activity Tracking Checklist for HPR projects in the OPAL system rather than maintaining this separate document.

REQUIRED FOR PROJECT SETUP/COMMITMENT: All projects should be set up and approved by your CD Specialist prior to actually helping a buyer purchase the property and sign a construction contract. The following documents should be submitted concurrently with your Setup Proforma in OPAL.

- ☐ Income Verification Package: If the household income is more than 70% of the Area Median Income (AMI) or less than \$5,000 from the 80% AMI limit, the Income Verification Package must be submitted. Also, if the household income includes income from self-employment, the Income Verification Package must be submitted. Otherwise, the Income Verification Package need not be submitted but should be retained in the local project file.
 - ☐ 1.2a Income Computation Worksheet
 - ☐ 1.2b Third Party Verification Monitoring
 - ☐ 1.2c Family Composition
 - ☐ 1.2e Declaration of Section 214 Status
 - ☐ 1.2f Checklist(s)
 - ☐ 1.2g Verifications
- ☐ 1.6 Good Faith Estimate of Buyer's Closing Costs
- ☐ 2.14 Building Plans and Specifications
- ☐ 2.16 Post-Rehabilitation Appraisal

REQUIRED TO DRAW CONSTRUCTION EXPENSES: The following documents must be submitted before you may bill for Construction expenses in OPAL.

- ☐ 4.1 Homebuyer Subsidy Second Mortgage—Copy of Executed Mortgage (The original recorded copy should be forwarded to MSHDA by the Register of Deeds; if it is returned to the grantee, it should be mailed to your CD Specialist.)
- ☐ 4.2 Homebuyer Subsidy Second Mortgage Note—Original
- ☐ 4.4 Buyer's Settlement Statement

HPR - REQUIRED DOCUMENTS CHECKLIST

	1. APPLICANT ELIGIBILITY	N/A		Date Complete	Initials	Comments
1	Application					
2a	Income Computation Worksheet		Potential Submission			
2b	Third Party Verification (TPV) Monitoring		Potential Submission			
2c	Family Composition		Potential Submission			
2d	Authorization for Release of Information and Privacy Act Notice					
2e	Declaration of Section 214 Status		Potential Submission			
2f	Checklist (for each person 18 and over)		Potential Submission			
2g	Verifications (income, asset, school, etc.)		Potential Submission			
3	Federal and State Tax Returns		Recommended			
4	Credit Report		Recommended			
5	Buyer Pre-qualification for First Mortgage Lending					
6	Good Faith Estimate		Submit			
7	Pre-Evaluation Disclosure of Lead Based Paint					
8	Applicant receipt of "Fair Housing: It's Your Right"		Recommended			
9	Eligibility Summary Worksheet and Analysis of Payment Ability		Recommended			
10	Documentation of First Time Homebuyer Status		Recommended			

HPR - REQUIRED DOCUMENTS CHECKLIST

	2. PROPERTY EVALUATION AND CONSTRUCTION DETERMINATION	N/A		Date Complete	Initials	Comments
1	Purchase Agreement					
2	Homebuyer Assistance Program Occupancy/Vacancy Cert.					
3	Notification to Seller of Voluntary Sale					
4	Environmental Checklist					
5	Historical Clearance, SHPO					
6	Flood Plain Map					
7	Noise Attenuation					
8	Initial Inspection Report					
9	Assessor's Card					
10	Initial Work Specifications					
11	Initial Cost Estimates					
12	Lead Risk Assessment					
13	Lead Property Exemption form					
14	Revised Work Specifications and Cost Estimates		Submit			
15	Homebuyer Approval of Specifications					
16	As-completed (or post rehab) Appraisal		Submit			

HPR - REQUIRED DOCUMENTS CHECKLIST

	3. BIDDING AND CONTRACTOR SELECTION	N/A		Date Complete	Initials	Comments
1	Prepared Bid Package & List of Contractors Invited to Bid					
2	Copies of bids received					
3	Bid Comparison Summary					
4	Record of Bid Selection					
5	Verification selected contractor(s) is not debarred					
6	Notice to unsuccessful bidders					
7	Set-Up Proforma		OPAL			

HPR - REQUIRED DOCUMENTS CHECKLIST

	4. CLOSING AND LIEN DOCUMENTS	N/A		Date Complete	Initials	Comments
1	Homebuyer Subsidy Mortgage		Submit			
2	Homebuyer Subsidy Note		Submit			
3	Program Agreement		Recommended			
4	Settlement Statement & Documentation of Leveraged Funds		Submit			
5	Copies of all Closing Docs					

HPR - REQUIRED DOCUMENTS CHECKLIST

	5. CONSTRUCTION MANAGEMENT	N/A		Date Complete	Initials	Comments
1	Contractor(s) License, Insurance, and Lead Training/Certification					
2	Contract between Contractor and Grantee, including					
2a	Lead Work Contractor attachment					
2b	Equal Opportunity Clause (EO 11246)					
3	Contract Proforma		OPAL			
4	Recorded Notice of Commencement					
5	Notice to Proceed					
6	Change Order(s)					
7	Copy of Inspection Reports by local building inspectors					
8	Interim Payment / Authorizations / Inspection Requests					
9	Sworn Statements					
10	Partial and Final Unconditional Lien Waivers					
11	Lead Clearance Test Results					
12	Lead Based Paint Inspection / Compliance Certification Form					
13	Final Inspection Report by Administrator					
14	Final Approval by Homeowner					
15	Final Payment Request / Authorization					
16	Itemized summary listing all project costs					
17	Final Proforma		OPAL			

HPR - REQUIRED DOCUMENTS CHECKLIST

	6. PROJECT CLOSEOUT AND ONGOING MONITORING	N/A		Date Complete	Initials	Comments
1	Client Satisfaction Survey		Recommended			
2	Pre-Warranty Expiration Follow-up		Recommended			